

Message Text

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16

ACTION NEA-10

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P R 201410Z APR 76
FM AMEMBASSY JIDDA
TO USDOC WASHDC PRIORITY
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INFO AMCONSUL DHAHRAN

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E.O. 11652: N/A
TAGS: ECRE SA
SUBJECT: NEW HOUSING COMPOUND: SAUDI PUBLIC

REF (A) USDOC 6755, (B) JIDDA 2056, (C) STATE 1330,
(D) STATE 79105

SUMMARY: HISTORY OF SAUDI ACTIVITY IN PUBLIC HOUSING
FIELD IS NOT EXEMPLARY. TRANSFER OF AUTHORITY FROM
MINFINANCE TO NEWLY CREATED MINHOUSING AND PUBLIC
WORKS ADDED TO NORMAL CONFUSION. SO FAR AS EMBASSY
KNOWS, NO CONTRACTS HAVE BEEN LET IN 1976 FOR PUBLIC
HOUSING. DEAL REFERRED TO IN REFTEL A IS STRICTLY
PRIVATE SECTOR. END SUMMARY.

1. SO FAR AS EMBASSY IS ABLE TO DETERMINE NO RPT
NO SAUDI CONTRACTS HAVE BEEN LET IN 1976 FOR PUBLIC
HOUSING CONSTRUCTION. BRITISH EMBASSY CONFIRMS
THAT COVELL, MATHEWS DEAL REFERRED TO IN REF A IS
STRICTLY PRIVATE SECTOR EFFORT. THEY ALSO REPORT
THAT RELEASE OF INFORMATION ON PROJECT WAS PREMATURE,
AND THAT THE VENTURE STILL HAS PROBLEMS TO WORK
OUT BEFORE THEY ARE REALLY IN BUSINESS. EVIDENTLY
(AGAIN QUOTING U.K. EMBASSY) PRESS RELEASE ON THIS
PROJECT WAS ENGENDERED BY SAUDI/BRITISH JOINT
COMMISSION MEETING IN LONDON, AND SPECIFICALLY CAUSED
BY DESIRE OF BOTH PARTIES TO GIVE IMPRESSION THAT
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COMMISSION OPERATIONS SUCCESSFUL.

2. SAUDIS ARE STILL FLOUNDERING IN THEIR ATTEMPTS TO GET PUBLIC HOUSING SCHEMES UNDER WAY. FOLLOWING IS CHRONOLOGY OF DEVELOPMENTS, AS KNOWN TO EMBASSY:

A. IN EARLY 1975 MINISTRY OF FINANCE BEGAN TO MAKE CONCERTED EFFORT IN PUBLIC HOUSING FIELD. ONE MUKBIL KHALAF WAS APPOINTED DIRECTOR GENERAL OF HOUSING. ALTHOUGH EMBASSY AND CORPS OF ENGINEERS MADE SEVERAL OFFERS OF ASSISTANCE, KHALAF WAS NOT INTERESTED. IN THE MEANTIME, PREQUALIFICATION WAS BEGUN IN FEBRUARY FOR POSSIBLE CONTRACTORS WHO WOULD BUILD 100,000 UNITS OF PUBLIC HOUSING, AND FOR FIRMS WHICH COULD MANGE CONTRACTS.

B. TENDERS WERE ISSUED ON AUGUST 21, 1975 FOR CONSTRUCTION OF APPROX. 50,000 UNITS. ORIGINALLY, BIDDERS WERE REQUIRED TO BID ON EACH OF OUR PRIMARY SITES (JIDDA, RIYADH, AL KHOBAR AND AL KHATIF) AND HAD THE OPTION OF BIDDING ON SIX UNSPECIFIED SITES. BIDS WERE TO QUOTE PRICE FOR RIYADH UNITS AND GIVE PRICES FOR OTHER AREAS AS DIFFERENTIAL ON RIYADH PRICE (POSITIVE OR NEGATIVE). TENDER WAS AMENDED TO PRVIDE FOR TOTAL OF 20,000 UNITS IN RIYADH AND JIDDA AND 10,000 IN KHOBAR. WE KNOW OF NO TENDERS FOR CONTRACT MANAGEMENT OR OF CONTRACTS LET.

C. FIRMS WERE REQUIRED TO WRITE TECHNICAL SPECIFICATIONS FOR HOUSING AND INFRASTRUCTURE AT SITES AS PART OF THEIR BID, THUS ADDING CONSIDERABLY TO DEVELOPMENT COSTS OF FIRMS (MUCH OF THE PRELIMINARY ENGINEERING AND SITE DEVELOPMENT PLANNING HAD TO BE DONE BEFORE A BID COULD BE PREPARED).

D. INTERIM DOCUMENTS WERE DUE ON 19 SEPTEMBER, LATER POSTPONED TO 15 OCTOBER AND THEN TO 17 NOVEMBER. FINAL BIDS WERE DUE 17 NOVEMBER, LATER POSTPONED TO 31 DECEMBER.

E. IN OCTOBER RESPONSIBILITY FOR PUBLIC HOUSING LIMITED OFFICIAL USE

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WAS SHIFTED FROM MINFIANCE TO NEWLY CREATED MINPUBLIC WORKS AND HOUSING.

F. NEW MINISTER, PRINCE MIT'AB BIN ABD EL-AZIZ, ANNOUNCED ON 12 DECEMBER THAT BIDS WERE INDEFINITELY POSTPONED.

G. ON 23 FEBRUARY EMBASSY TRANSMITTED TO

USDOC/STATE MOFA NOTE REQUESTING LIST OF REPUTABLE US FIRMS WHICH COULD HANDLE CONTRACT MANAGEMENT FOR CONSTRUCTION OF "ENORMOUS HOUSING PROGRAMS". LIST WAS RECEIVED ON 29 MARCH AND PASSED TO MOFA (COPY WAS GIVEN DIRECTLY TO PRINCE MIT'AB).

H. IN CONVERSATION WITH EMBOFF ON APRIL 12 PRINCE MIT'AB REVEALED INFORMATION ON CRASH PROJECT, AND INCENTIVES WHICH SAG WOULD OFFER US FIRMS.

3. AMONG PROBLEMS FACING SAUDIS IS FAILURE TO PROVIDE SITES FOR HOUSING. ACCORDING TO US FIRM, SITES FOR SOME 50 TO 100,000 WERE TO HAVE BEEN READY BY OCTOBER 1975. SAG HAS NOW ANNOUNCED THAT BIDS WILL BE ACCPETED IN MAY FOR 33,000 UNITS. PRESUMABLY THESE UNITS ARE THE SAME PUT OUT FOR TENDER IN AUGUST 1975. TO BEST OF FIRM'S KNOWLEDGE THE NECESSARY SITES ARE STILL NOT READY FOR THAT NUMBER OF UNITS, LET ALONE THE 100,000 EXPECTED TO MAKE UP FIRST TRANCHE OF PUBLIC CONSTRUCTION.

4. EMBASSY AND PRIVATE FIRMS HAVE BEEN UNABLE TO CONFIRM THAT FIRMS MAY AGAIN PREQUALIFY FOR CONSTRUCTION BIDS. IT IS OUR BELIEF, HOWEVER, THAT THIS IS INDEED THE CASE. MINHOUSING AND PUBWORKS HAS STATED THAT MAY BIDS ARE ONLY RPT ONLY FOR THOSE ALREADY PREQUALIFIED, BUT THEY HAVE NOT RULED OUT ADDITIONAL PREQUALIFICATION FOR FUTURE TENDERS.

5. EMBASSY HAS NO DOUBT THAT OPPORTUNITIES IN FIELD OF PUBLIC HOUSING WILL BE EXTREMELY LARGE. KING AND OTHERS IN SAG HAVE LARGE AMOUNT OF PRESTIGE RIDING ON THEIR ABILITY TO MEET PROMISES. MOST URGENT NEED NOW IS FOR CONTRACT MANAGEMENT FIRMS, ESPECIALLY LIMITED OFFICIAL USE

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THOSE WITH EXPERIENCE IN TOWN SITE DEVELOPMENT. LIST OF US FIRMS PRESENTED TO SAUDIS MAY ENGENDER SOME ACTION. TRIP BY DEP MINISTER SAUDI LINJAWI TO US SHOULD ALSO BRING RESULTS (SEE REFTEL B). EMBASSY CONTACTS WITH MINISTRY SHOULD ALSO IMPROVE NOW THAT WE HAVE BEEN ABLE TO MAKE FIRST CONTACTS WITH ELUSIVE MINISTER AND DEPUTY. PROSPECTS IN THE LONG RUN DEPEND, HOWEVER, ON WILLINGNESS OF FIRMS TO SEND PERSONNEL TO KINGDOM. PERSONAL CONTACT, REPEATED PERSONAL CONTACT BY FAMILIAR FACES, IS THE ONLY WAY TO DO SUCCESSFUL BUSINESS IN SAUDI ARABIA. FYI. SO FAR AS EMBASSY IS ABLE TO DETERMINE BY WAY OF RUMOR MILL/GRAPEVIEN/CONTACTS, PRINCE MIT'AB IS ONE OF THE FEW SAUDI MINISTERS (AND PRINCES) WHO FEELS NO

RPT NOT NEED TO FEATHER HIS OWN NEST WHILE SERVING
HIS COUNTRY.

6. ABOVE PROJECT IS FOR SAUDI PUBLIC HOUSING ONLY,
NOT FOR FOREIGNERS. US FIRM SHOULD CONTINUE WITH
FORMATION OF CONSORTIUM AND FOR JIDDA PRIVATE
PROJECT. SAG HAS DECREED THAT ALL FIRMS WINNING
CONTRACTS MUST FURNISH HOUSING (ASIDE FROM LOCAL
AVAILABILITY) AS WELL AS IMPORT WORKERS.
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